

A Response to the Productivity Commission Draft Report on the Regulation of Agriculture

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Summary

The Institute of Public Affairs (IPA) welcomes this Productivity Commission Draft report (henceforth the 'Draft') on the Regulation of Agriculture and encourages the focus on the impact of regulation and red tape on this primary industry.

While Australian agricultural production is expected to rise to over \$60 billion for the first time this financial year, productivity and competitiveness headwinds remain. With around two thirds of Australia's agricultural production exported, our agribusinesses compete in a global game of productivity and quality, with farmers often taking world prices on commodity markets.

The role of Australian governments is to create an institutional and regulatory environment conducive to productivity improvements, innovation, and economic growth. Governments must protect private property rights and facilitate the free movement of capital and goods.

To achieve this involves returning to the basic economics of regulatory design: do the benefits of intervention outweigh the costs? The Draft is a welcome return to this principle across a wide variety of areas. As such, the Institute of Public Affairs welcomes, in particular:

- Recommending that governments search for market-based implementation of environmental policy objectives, particularly where governments purchase environmental services off landholders.
- Reform of inconsistent, contradictory and overlapping land use and native vegetation legislation preventing farmers from flexibility and efficiently using their land.
- Recommending reform of transport regulation, including both the complex cross-jurisdictional maze of licenses, permits and restricted supply heavy vehicles, and the anti-competitive cabotage system for coastal shipping.
- Relaxing restrictions on foreign investment flows by raising the thresholds of the Foreign Investment Review Board (FIRB).

However, there is much more to be done.

The IPA also recommends abolishing section 487 of the *Environmental Protection and Biodiversity Conservation Act* which enables green activist groups to insert themselves within the environmental approval process. Section 487 has provided no clear benefit to the environment while simultaneously imposing project delays through vexatious litigation. Abolishing section 487 is a no regrets policy: the environment won't be worsened while landholders' are less likely to be met with costly project delays.

Proceeding to repeal the above examples of red tape will help to unleash part of the \$176 billion in foregone Australian economic output due to red tape each year.

Introduction: The Importance of Agricultural Competitiveness

Australia's agriculture industry is now worth over \$53 billion, or around 3 per cent of GDP. For the first time the size of agricultural production is projected to rise over \$60 billion through 2016-17.¹

Farming is an export-orientated business: in Australia over 300,000 employees export approximately two thirds of their produce each year.²

But to remain competitive and hence reap the remarkable benefits of trade, our farmers must continually improve their multifactor productivity. Unfortunately, productivity growth has slowed in recent years and Australia is becoming internationally uncompetitive. We are ranked in the bottom half of countries worldwide for the 'burden of government regulation', behind many of our competitors and trading partners.³

The viability of domestic farming is reliant on a conducive domestic regulatory environment. One force holding back these productivity improvements is the growth of red tape. As the IPA's Mikayla Novak has outlined, the red tape reduction efforts over the previous decade have done little to improve our international competitiveness rankings.

⁴ Indeed, we have slipped on a number of international measures since John Howard's Taskforce on Reducing Regulatory Burdens on Business.

In this context, this Draft is a welcome focus on the regulatory constraints holding back the prosperity of Australian agriculture.

¹ Australian Bureau of Agricultural and Resource Economics and Sciences (2015) Media Release: Australia's Farm Production Forecast to Top \$60 Billion. 1 March 2016. Available at: <http://www.agriculture.gov.au/abares/media-releases/2016/farm-production>

² National Farmers' Federation (2012) Farm Facts 2012. Available at: <http://www.nff.org.au/farm-facts.html>

³ World Economic Forum (2016) Global Competitiveness Report 2015-16. Available at: <http://reports.weforum.org/global-competitiveness-report-2015-2016/>

⁴ Novak, M. (2016). Have Australia's red tape reduction programs worked? International Competitiveness and Over-regulation. Institute of Public Affairs Occasional Paper, July 2016, Melbourne. Available at: <http://www.ipacutredtape.org.au/wp-content/uploads/2016/08/PAPER-Int-competitiveness-1.pdf>

A Welcome Return to Economic Principles

Recent Institute of Public Affairs research estimated that the Australian economy loses \$176 billion each year in economic output due to the impact of red tape.⁵ Put another way, if we moved to a best practice regulatory environment, as defined by the World Bank, our economy the equivalent of 11 per cent of GDP larger.

Part of this red tape problem is due to the enormous number of regulatory bodies. Recent Institute of Public Affairs research demonstrated approximately 497 Commonwealth bodies are involved in regulatory design and enforcement.⁶ And that number doesn't even include the multitude of dispersed and often unaccountable regulatory bodies at lower state and local levels.

A clear and welcome focus of the Draft is the need to return the regulation of agriculture to economic principles. Do the benefits of government intervention outweigh the costs of imposing it?

Note that while not directly within the scope of the report the IPA would like to note the importance of a number of red tape initiatives to help slow and cut back our red tape problem.⁷ At one point in time all of the current red tape problems identified in the Draft were in the regulatory 'design' phase.

While inquires such as the current one are an important part of returning to the stock of regulation, governments must redouble their efforts in developing a systematic process of regulatory design. Unfortunately there is substantial evidence that the current processes, including, for instance, the Regulation Impact Statement process, are ineffective.⁸

⁵ Novak, M. (2016). The \$176 billion tax on our prosperity. Institute of Public Affairs Occasional Paper, Melbourne, 2016. Available at: <http://ipa.org.au/portal/uploads/The-176-Billion-Tax-On-Our-Prosperity.pdf>

⁶ Novak, M. (2016) The red tape state. Institute of Public Affairs Occasional Paper, Melbourne, 2016. Available at: <http://ipa.org.au/portal/uploads/160526-MN-FinalReport.pdf>

⁷ Allen, D. and Novak, M. (2016). Ten red tape initiatives for the next Australian government. Institute of Public Affairs Occasional Paper, <http://ipa.org.au/portal/uploads/20Jun16-TenRedTapeInitiatives2.pdf>

⁸ See, for instance, Victorian Auditor-Generals' Report (2016). Reducing the Burden of Red Tape. May 2016. Available At: <http://www.audit.vic.gov.au/publications/20160525-Red-Tape/20160525-Red-Tape.pdf>

Environmental, Investment, Shipping and Labelling Red Tape

The Institute of Public Affairs encourages the following recommendations and aspects of the Draft report, and recommends further focus on particular regulatory areas.

For clarity we have separated our comments into four areas: (1) environmental and land regulation, including native vegetation legislation and section 487 of the Environment Protection and Biodiversity Act; (2) transport and coastal shipping restrictions; (3) foreign investment screening thresholds; and (4) country of origin labelling.

Following these we more broadly outline the recommendations the IPA supports from the Draft.

Environmental and Land Regulation

Effective regulation and management of Australian land is critical both for agriculture and other primary industries such as mining and onshore oil and gas. As the Draft notes, Australia should indeed be striving for the highest value use of the land we have.

However, the growth of land use legislation has at times been exclusively focussed on environmental objectives, rather than taking a whole-of-society perspective on how that land could be used.

Environmental, conservation and activist green groups have also frequently inserted themselves into the policy process, which skews decision making away from good policy based on sound economics.

To demonstrate this, in this section we focus on two main areas of environmental and land regulation: (1) complex and burdensome native vegetation; and (2) the growth of 'lawfare' through section 487 Environment Protection and Biodiversity (EPBC) Act.

Native Vegetation

Burdensome and duplicative native vegetation legislation should be understood as a significant cost to farmers. Landholders consistently raise environmental legislation, and native vegetation and land clearing laws in particular, as a key concern.⁹ As such, the IPA welcomes the Draft recommendation to seek market-based solutions.

As the Draft notes:¹⁰

The burden imposed on farm businesses by native vegetation and biodiversity regulations could be reduced while maintaining, or even improving, environmental outcomes.

This implies that current native vegetation and biodiversity rules are not representative of minimum best practice regulation. Put simply, we could have a more efficient outcome with no cost to the environment.

⁹ GrainGrowers Submission 73.

¹⁰ Draft Report, p 91.

The current proposed changes in Queensland, for instance, deeply misunderstand the trade-off between economic growth in our agriculture sector and protecting the environment. As the IPA wrote earlier this year in relation to the proposed changes in Queensland:¹¹

The proposed changes to vegetation management laws in Queensland should not proceed. Among other things, these changes will stifle our most productive farmers, distort economic activity, breach principles of the rule of law, and increase business uncertainty for our agriculture sector.

Regulators should hold that landholders are the best custodians of their own land, as Darcy Allen from the IPA wrote in *Queensland Country Life*:¹²

Land owners and farmers are the most interested in protecting and conserving their farms. Bureaucrats in Brisbane—far from the reality of farm life—should not be in the business of classifying and determining the use of private land.

Further, farmers are incentivised to improve their productivity and efficiency of their land, as Daniel Wild from the IPA wrote in *The Land*:¹³

Property rights give owners incentive to look after what they own. Farmers know their livelihood depends on environmentally sustainable practice.

Competition fostered by free markets provides powerful incentive for land-users to economise land use and develop more efficient and environmentally friendly technology. In the last century land used for agriculture has decreased, yet output has skyrocketed.

The growth of native vegetation legislation is not just a problem in Queensland, but across Australia more generally.

Native vegetation legislation continually and consistently imposes costs on farmers through bureaucratic controls.¹⁴ And, as the Draft notes, these costs are largely borne by farmers and consumers, not regulators:¹⁵

The bottom line is that landholders are required to bear the cost of providing many community wide benefits from better environmental outcomes. While the community may demand better environmental outcomes, because the costs fall on landholders the community is not necessarily aware of the cost of achieving those outcomes.

Following in this understanding that the costs of environmental regulation sit off government balance sheets, there are few incentives to truly weigh up the cost of harm and foregone economic growth, compared to the potential environmental advantages from the change.

11 Allen, D., Berg, C. and Breheny, S. (2016) Submission to the Agriculture and Environment Committee relating to the Vegetation Management (Reinstatement) and Other Legislation Amendment Bill 2016. April 2016. Available at: <http://ipa.org.au/portal/uploads/27Apr16-DA-Native-vegetation.pdf>

12 Allen, D. (2016). Why the proposed tree laws are the very worst kind of red tape. *Queensland Country Life*, 7 April 2016. Available at: <http://www.queenslandcountrylife.com.au/story/3835106/opinion-why-the-proposed-tree-laws-are-the-very-worst-kind-of-red-tape/?cs=4698>

13 Wild, D. (2016) Tape Tangle, *The Land*, 28 July 2016, Available at: <http://www.ipa.org.au/news/3532/tape-tangle>

14 See, for instance, Wild, D. (2016). Red tape is strangling Australia's primary resources industries. *The Australian*, 14 August 2016. Available at: <http://ipa.org.au/news/3543/red-tape-is-strangling-australia-s-primary-resources-industries>

15 Draft Report, p 107.

Draft Recommendation 3.2 to “develop market-based approaches to native vegetation and biodiversity conservation” is welcomed, as Darcy Allen wrote in the *Hobart Mercury*:¹⁶

the possibility for governments to buy environmental services from existing landholders [is] a vital change not only for native vegetation but more broadly for regulatory design.

When governments must pay for their policy objectives this will slow down new red tape ... welcome recognition that government restrictions on land clearing are an assault on property rights, which must be adequately compensated.

Market-based solutions to environmental objectives are critical because they will bring the cost of regulation back on to the balance sheets of, in this case, state governments. They are also a welcome recognition that environmental red tape diminishes the property rights of private landholders.

The IPA further notes that, though the draft report, there is often an implicit assumption that government actions represent community preferences. But this is often not the case. Decisions by government are often driven by political economy considerations. And, even if government policy-making was benevolent, it is difficult -- if not impossible -- to aggregate individual preferences in a meaningful way.

On this basis a first-best approach to native vegetation and biodiversity conservation could be to ensure there are clear property rights that allow environmental groups to purchase land for explicit environmental purposes and/or negotiate with landholders to undertake conservation activities.

This would ensure that others in the community who value biodiversity and native vegetation to a different degree than environmental groups (or than what is the outcome of government policy more generally) could avoid the costs of the current regulatory regime.

Lawfare

The IPA recommends the PC consider recommending abolishing section 487 of the *Environment Protection and Biodiversity Conservation (EPBC) Act*, causing what has become known as ‘lawfare’. Unfortunately it seems the political will to prevent this vigilante litigation has stalled.¹⁷

The introduction of section 487 extended the definition under which people or organisations have legal standing to challenge decisions made under the EPBC Act.

The political reality of this change is to directly insert green groups and environmental activists - even without any legitimate standing - into the process of project approvals, under the guise of the ‘national interest’.

Even in its short time frame, only 11 per cent of cases brought to the Federal Court have been successful challenges, and even where successful, the cases have resulted in only minor changes.

¹⁶ Allen, D. (2016) Cut red and green tape to drive more growth in farm sector. *Mercury*, 30 July 2016. Available at: <http://www.themercury.com.au/news/opinion/talking-point-cut-green-and-red-tape-to-drive-more-growth-in-farming-sector/news-story/1367b397b0409809a971c3b6261edfd4>

¹⁷ Viellaris, R. (2016). Government has all but given up on urgently stopping green lawfare. *Courier Mail*, 28 July 2016. Available at: <http://www.couriermail.com.au/news/queensland/government-has-all-but-given-up-on-urgently-stopping-green-lawfare/news-story/d275bde462cb8995fcacb456b57f1186>

Section 487 has become a political tool to enable environmental groups to challenge and thus delay project approvals, with little evidence of additional environmental outcomes. Indeed, as the Minerals Council wrote in a Submission regarding the strategy document developed by environmental groups:¹⁸

The strategy exploits the fact that appeals through the Federal Court do not need to be successful in order to delay a project. The appeal itself causes delay. Court processes take many months, even years. Such challenges provide little environmental benefit, yet cost the proponent in terms of delay and expenses.

Indeed, as the Environment and Legislative Committee noted:¹⁹

The costs of delays not only affect proponents, but there are also costs to the broader community from delays to revenue, jobs and other benefits generated by major projects.

And, as the Business Council of Australia noted in their Submission:²⁰

Rather than creating an opportunity for genuine community participation in the decision-making process, the broad definition established by the section risks vexatious claims that are not related to the environment protection or conservation aspects of the project.

... the scope of groups who have standing under section 487 is overly broad and allows third-party groups to bring forward a matter for judicial review even if they have no proximity, experience or relevance in the specific area of conservation or environment protection that is the subject of the EPBC decision.

Repealing section 487 would not remove community or environmental groups taking part in the process. This is because the common law definition of standing would still apply - green groups would simply need to establish a basic modicum of interest in a project before using the legal system to challenge projects. As Ports Australia noted in their Submission:²¹

... the change will not simply stop environmental groups from legally challenging a decision but require them, in the first instance, to prove they have sufficient standing as a person aggrieved by a decision to bring an application for review.

Further, repealing section 487 would not remove the underlying approval processes, including lengthy environmental impact assessment processes, as the Senate Committee Report noted:²²

The committee considers that the repeal of section 487 will not diminish the protection of Australia's environment and the conservation of biodiversity and heritage provided by the EPBC Act.

It is the view of the IPA that section 487 of the EPBC Act be abolished.

¹⁸ Minerals Council of Australia (2015) Submission to Senate Committee on Environment and communications Inquiry into Environment Protection and Biodiversity Conservation (Standing) Bill 2015, 14 September 2015, p 4.

¹⁹ Senate Environment and Communications Legislation Committee (2015) Environment Protection and Biodiversity Conservation Amendment (Standing) Bill 2015 [Provisions], November 2015, 2.10, p 11.

²⁰ Business Council of Australia (2015) Submission to the Inquiry into the Environment Protection and Biodiversity Conservation (Standing) Bill 2015, September 2015, p 4.

²¹ Ports Australia (2015) Submission to the Inquiry into the Environment Protection and Biodiversity Conservation (Standing) Bill 2015, 9 September 2015, p 3.

²² *ibid*, p 27.

Foreign Investment

The Institute of Public Affairs has long been a proponent of the free flow of capital into Australia.²³ Foreign investment is critical to the effective functioning and future of Australian agriculture.

International funds flowing into our domestic agriculture sector should be welcomed because we are a small and open economy which has long relied on investment to overcome shortfalls in international savings.

In 2015, among other things, the Australian government significantly lowered the screening threshold for agribusiness (to \$55 million) and agricultural land (to \$15 billion). These thresholds are much lower than those for other industries, including telecommunications, transport and defence.

As such the IPA welcomes the report's recommendation to raise the screening threshold for agricultural investment.

There are a few further points we wish to make in regards to foreign investment.

First, that the review of foreign investment following a definition of the national interest is arbitrary and xenophobic - it cannot be clearly articulated and will thus always be applied under the subjective discretion of the Minister and their political motivations of the day.

And, second, the argument against foreign investment is tantamount to arguing against private property generally. Because all land-holders in Australia must obey domestic law, as the IPA's Chris Berg outlined earlier this year on *The Drum*:²⁴

Simply put, land owned by foreign investors continues to be governed by Australian law. It is private land so it can be used for private purposes, within those legal constraints. To be afraid of foreign ownership of land is to be afraid of private ownership of land. And to punish it.

Low thresholds and high restrictions on foreign investment increase the cost and the complexity of investment into the Australian agriculture business.

Transport Regulation

Geographically, Australia is vast and remote. As such, and particularly given the long distances of intermediaries in the agricultural process, a seamless, cost-effective and flexible framework for transport regulation is necessary.

Without an effective transport network—including heavy vehicles such as trucks, and shipping services—our agriculture sector is shackled in world markets.

Heavy Vehicles

As the Draft notes, heavy vehicle transport regulations across Australia are indeed inconsistent and costly across jurisdictions, making it difficult for farmers to efficiently transport their produce and machinery.

²³ Note the papers presented at the Institute of Public Affairs 'Australia's Open Investment Symposium', available here: <http://ipa.org.au/sectors/australia's-open-investment-future-symposium>

²⁴ Berg, C. (2016) Rejecting a Chinese bid for land is in the 'national interest'? Show me how. *The Drum*, 2 May 2016, Available at: <http://www.abc.net.au/news/2016-05-02/berg-why-fear-foreign-investment/7375412>

The IPA welcomes Draft Recommendation 8.3:

... should ensure that requirements for moving oversized agricultural machinery are proportionate to the risks involved. To achieve this they should, wherever possible, make greater use of gazettal notices or other exemptions for oversized agricultural machinery, and issue permits for oversized agricultural machinery that are valid for longer periods and/or for multiple journeys.

In addition, the IPA welcomes the recommendation of a Road Fund model which will more efficiently allocate investments in roads to their highest value use (Draft Recommendation 8.2).

Coastal Shipping

The current regulation of coastal shipping in Australia raises the cost of agricultural businesses utilising sea freight.

It is imperative the government reduces the substantial barriers to entry in coastal shipping, specifically the rules which preference Australian ships over foreign ones.

Specifically, the IPA welcomes Draft Recommendation 8.5:

The Australian Government should amend coastal shipping laws by 2018 to substantially reduce barriers to entry for foreign vessels, in order to improve competition in coastal shipping services.

As the IPA's Darcy Allen wrote in the Hobart *Mercury* earlier this year:²⁵

Anti-competitive coastal shipping legislation - where foreign ships face government-backed barriers to entry - is particularly costly for Tasmania. For instance, the Tasmanian Farmers and Graziers Association claims that the route across the Bass Strait is the most expensive route in the world. With 99 per cent of freight volume in and out of Tasmania occurring over sea, this is an enormous cost.

Indeed, the IPA has been a strong supporter of deregulating the unnecessary and costly coastal shipping laws. In a report in December 2013 IPA researchers Chris Berg and Aaron Lane wrote:²⁶

The coastal shipping market will be most efficient if it is governed by a market-driven, open regulatory framework. On this basis, the Coalition government should: exempt foreign-flagged vessels employing foreign crews from the operation of the Australian industrial relations laws, as was the case prior to 2009; remove the complex regulatory system of licenses and permits; remove the extensive reporting requirements of vessel operators; and remove tax concessions.

The economic benefits from deregulating coastal shipping are enormous, as the IPA's Aaron Lane wrote in *The Australian*:²⁷

25 Allen, D. (2016). Cut red and green tape to drive more growth in farm sector. *Mercury*, 30 July 2016. Available at: <http://www.themercury.com.au/news/opinion/talking-point-cut-green-and-red-tape-to-drive-more-growth-in-farming-sector/news-story/1367b397b0409809a971c3b6261edfd4>

26 Berg, C. and Lane, A. (2013). Coastal shipping reform: industrial saviour or regulatory nightmare? Institute of Public Affairs Occasional Paper, December 2013, Available at: http://ipa.org.au/portal/uploads/Coastal_Shipping_Report-Institute_of_Public_Affairs-Dec_13.pdf, p 33.

27 Lane, A. (2014). Repeal the economic vandalism crippling shipping, *The Australian*, 11 January 2014. Available at: <http://www.ipa.org.au/news/3032/repeal-the-economic-vandalism-crippling-shipping>

The economic case could not be stronger. According to an impact statement prepared by the Department of Infrastructure and Transport, repealing coastal shipping laws has the potential to increase Australian GDP by up to \$466 million to 2025.

Scrapping the generous subsidies offered to Australian-registered vessels will save more than \$254.5m over four years. Exempting foreign-registered vessels employing foreign crews from the Fair Work Act will cut production costs of Australian manufacturers, saving local jobs and boosting the nation's export competitiveness.

The IPA strongly agrees with the draft recommendation to wind back coastal shipping cabotage restrictions.

Country of Origin Labelling

In relation to the Commission's information request 9.1, the IPA considers Country of Origin labelling should be voluntary.

The report rightly notes that mandatory labelling could lead to lower net benefits (and, in the IPA's view, net costs) than a voluntary system as not all consumers benefit from labelling. And those who receive benefits do not do so in the same way or to the same extent.

A voluntary system would allow the value of information to emerge through the market process, as consumers reveal their willingness to pay and preferences toward origin labelling, and producers respond to this information accordingly.

The current compulsory regime is a one-size-fits all approach and highly unlikely to deliver net benefits given heterogeneous preferences of consumers and producers.

Further, compulsory labelling which is prescriptive in terms of content and graphic form prevents alternative -- and potentially more effective and less costly -- labelling developing. This can counter productively worsen the quality of information on the market.

It is also important to recognise that labelling regulation, as with most other regulation, increases the costs of products and services. This has a disproportionately greater effect on lower income consumers. It is an open question as to whether lower income consumers also disproportionately benefit from labelling. However, it would be fair to surmise that lower income consumers are more price sensitive and therefore more likely to prioritise purchasing decisions based on price rather than labelling information. In this sense relatively wealthy consumers are cross subsidised by relatively poor consumers -- clearly a perverse outcome.

Information gathered from surveys about the value of or demand for information disclosure, such as commissioned by *Choice*, are highly unreliable. In answering surveys consumers do not face budget constraints, nor do they directly face the costs of their decisions. Hence, following the basic principle that 'more is better than less' consumers will almost always say they prefer more information. What is less clear is whether they are equally as enthused about paying for it, or facing flow-on effects such as stunted competition and regressivity.

The IPA also considers there is a strong economic argument that information asymmetries, insofar as they ever were a bona-fide feature of markets, are likely to have been rendered

obsolete by technological changes.²⁸ This can be clearly seen with online review and rating systems, along with the array of means through which information is disseminated informally such as online forums and blogs.

²⁸ Tabarrok, A. and Cowen, T. (2015). The End of Asymmetric Information, Cato Unbound, 6 April 2015. Available at <http://www.cato-unbound.org/2015/04/06/alex-tabarrok-tyler-cowen/end-asymmetric-information>

Further Recommendations the IPA Supports

The IPA also welcomes and supports the following recommendations:

- *Recommendation 8.6:* Arrangements to support the biofuel industry — including excise arrangements and ethanol mandates — deliver negligible environmental benefits and impose unnecessary costs on farmers and the community. The Australian, New South Wales and Queensland Governments should remove these arrangements by the end of 2018.
- *Recommendation 9.1:* Food Standards Australia New Zealand should remove the requirement in the Food Standards Code to label genetically modified foods.
- *Recommendation 11.1:* The New South Wales Government should repeal the *Rice Marketing Act 1983*.
- *Recommendation 11.2:* The Queensland Government should repeal the amendments made by the *Sugar Industry (Real Choice in Marketing) Amendment Act 2015*.
- *The first part of recommendation 6.1:* The New South Wales, South Australian, Western Australian, Tasmanian and Australian Capital Territory governments should remove their moratoria (prohibitions) on genetically modified crops. All state and territory governments should also repeal the legislation that imposes or gives them powers to impose moratoria on the cultivation of genetically modified organisms by 2018.

The IPA also agrees with the following findings

- *Finding 11.1:* Statutory marketing of potatoes in Western Australia has reduced consumer choice and increased the price of potatoes in Western Australia. The Western Australian Government's plan to deregulate the industry will allow potato production in that state to respond to changing consumer preferences and reduce the cost of potatoes for consumers.
- *Finding 8.2:* The road safety remuneration system (including the Road Safety Remuneration Tribunal) imposed costs on businesses, including farm businesses, without commensurate safety benefits and its abolition will reduce this burden.
- *Finding 8.1:* Despite the commencement of the Heavy Vehicle National Law and the establishment of the National Heavy Vehicle Regulator, there remain significant variations and inefficiencies in heavy vehicle regulation, including delays in processing road access permits.
- *Finding 2.2:* Regulation and policies aimed at preserving agricultural land per se can prevent land from being put to its highest value use.

The IPA also agrees that the privatisation of major ports has the potential to increase economic efficiency.

Concluding Remarks

Agriculture is central to the Australian economy. It's productivity and flexibility are essential in remaining internationally competitive in global markets. However, as has increasingly been recognised, agriculture has become weighed down by complex, unnecessary and overlapping red tape. For instance, as the IPA's Dr Mikayla Novak recently wrote:²⁹

Australian farming businesses want consistent and common-sense rules empowering them to manage land and other scarce resources in such ways to appropriately project a clean, green image for food and other commodities they market both domestically and internationally.

The desire for minimally effective government regulation is sound in theory but, as is sadly all too common in practice, excessive red tape gets in the way of farmers being able to become even more efficient and more innovative as market opportunities change.

The recent draft report by the Productivity Commission on agricultural regulation chronicles numerous instances whereby poor-quality regulation imposes unnecessary red tape on the farm sector.

As such, the IPA welcomes this Draft report into the regulation of agriculture, including the focus on deregulating environmental regulation, transport, and restrictions on foreign investment.

In addition, in this response we have argued for the abolition of section 487 of the *Environment Protection and Biodiversity (EPBC) Act*. This provision, we have shown, inserts political interest into the environmental approval process and facilitates costly and vexatious litigation.

We conclude with the words of the Draft: ³⁰

The price of liberty from unnecessary regulatory burdens is eternal vigilance.

²⁹ Novak, M. (2016) Why the Productivity Commission is on the money. Queensland Country Life, 27 July 2016. Available at: <http://ipa.org.au/news/3529/why-the-productivity-commission-is-on-the-money>

³⁰ Draft Report, p 11.

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